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Iraq

Status Report

April 22, 2009



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS



- Iraqi Parliament Elects Speaker (***POLITICAL***, page 4).
- Iraq Stock Exchange Opens Electronic Trading (***ECONOMIC***, page 16).
- **Senate Confirms Nomination of Christopher Hill for Ambassador to Iraq** (***DIPLOMATIC***, page 20).
- Suicide Attack Strikes PRT in Diyala (***SECURITY***, page 22).

POLITICAL - Governance & Legislation



Iraq continues to experience both successes and obstacles in the political and societal spheres

Iraqi Parliament Elects Speaker:

- Iraq's Council of Representatives elected Iyad Samarrai of the Sunni Iraqi Islamic Party (IIP) as its new Speaker April 19, shortly after returning from a 6-week long recess. Samarrai was elected to the position after obtaining 153 of the 232 votes, despite opposition by Prime Minister Maliki. Samarrai said he intends to strengthen the Council of Representatives' institutional capacity and executive oversight, but extended an olive branch to Maliki by noting that this oversight role is complementary to the executive and is "by no means a tool of punishment."

UNAMI Presents Disputed Internal Boundaries Report:

- Special Representative of the United Nations Secretary-General, Staffan de Mistura, presented the report to Prime Minister Maliki, President Talabani, the two Deputy Presidents, and President of the Kurdistan Regional Government Barzani on April 22. The UN Assistance Mission for Iraq has worked with Iraqis at the national, regional, provincial, and local levels, aiming to help Iraqis make progress toward resolution of the disputed internal boundaries, including Tamim Province (Kirkuk). UNAMI hopes the reports can serve as a basis for dialogue between the parties.

POLITICAL - Governance & Legislation



Iraq continues to experience both successes and obstacles in the political and societal spheres

KRG Official Warns of Need for Political Agreement:

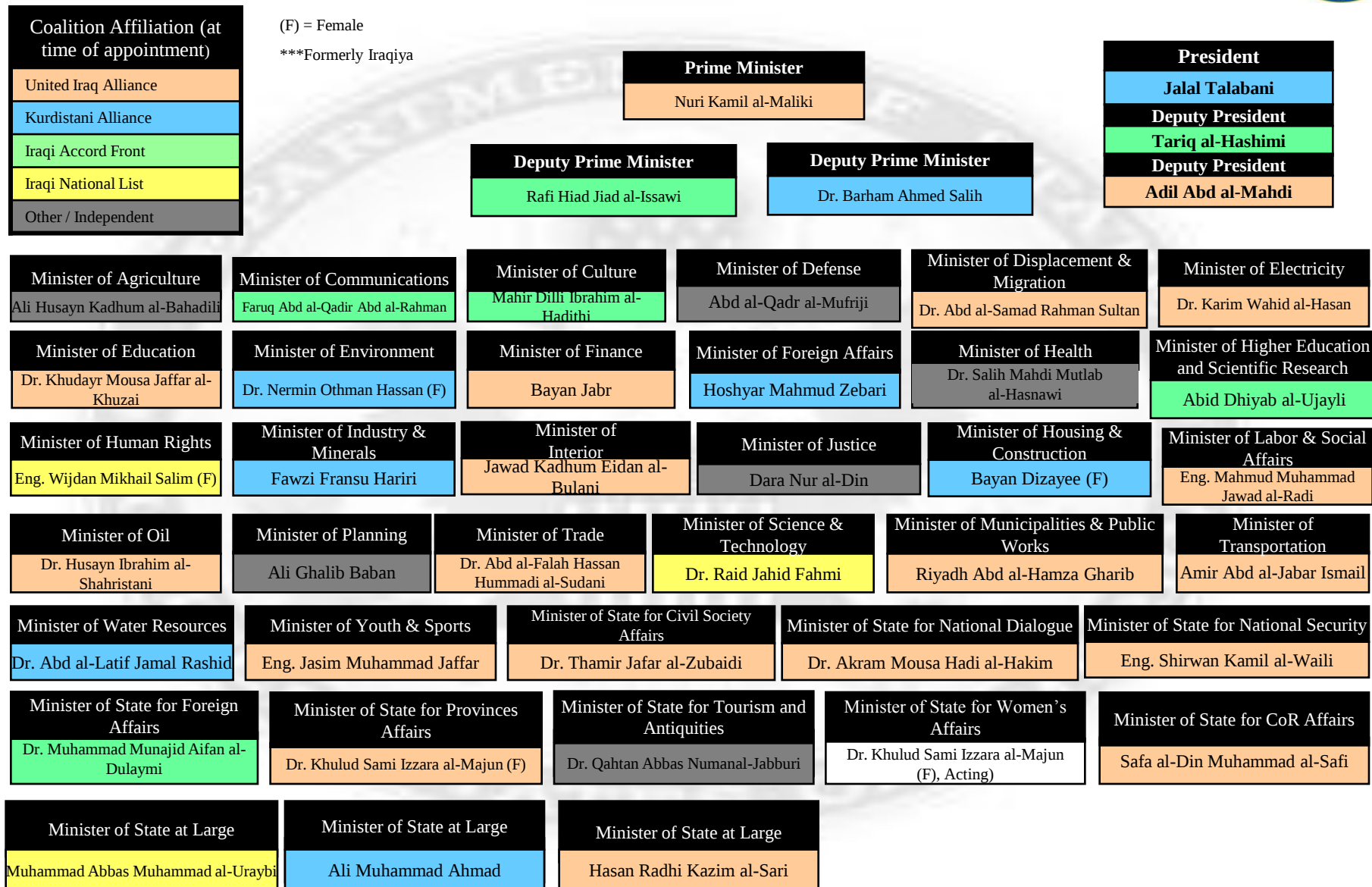
- Fuad Hussein, chief of staff to KRG President Massoud Barzani, told the Washington Times that security in Iraq could deteriorate if a political agreement between Sunni Arabs, Shi'a Arabs, and Kurds is not reached before American troops withdraw from the country. Hussein stated, "If the problems which exist now cannot be resolved in one or two years, the withdrawal of the American army will lead to unrest in Baghdad and perhaps a return of sectarian fighting."

Samarra Mosque Reopens:

- For the first time in over two years, visitors are allowed to enter the Samarra mosque, which was bombed in 2006 and 2007. Haqi al-Hakim, head of the government committee tasked with reconstructing the mosque, said, "The technical teams were able to complete the rebuilding of the dome and the minarets with Iraqi hands." The restoration of the mosque started in February 2008 with the support of the United Nations Educational Scientific and Cultural Organization (UNESCO). The mosque holds the remains of the 10th and 11th Imams, Ali al-Hadi and Hassan al-Askari, venerated by the Shi'a community.



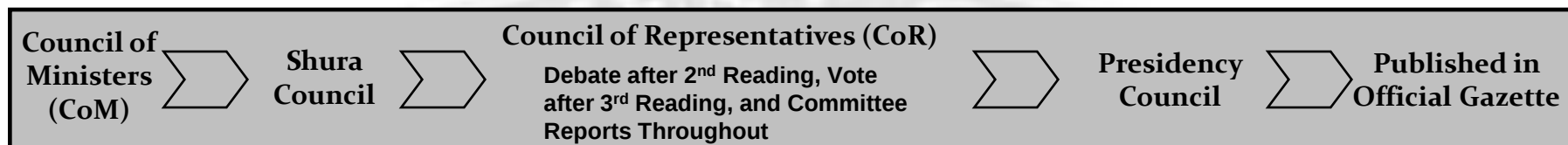
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **Budget:** The Council of Representatives (COR) passed a budget on March 5. The Presidency Council approved the 2009 budget on April 2.
- **COR Speaker:** On April 19, the COR selected Ayad Samarrai'e of the Iraqi Islamic Party with 153 of 232 votes. The position had been vacant since Mahmoud Mashadani resigned last December.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 24,291 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).



ECONOMIC – Oil

Oil sector remains active despite absence of new federal laws

Crude Oil Update:

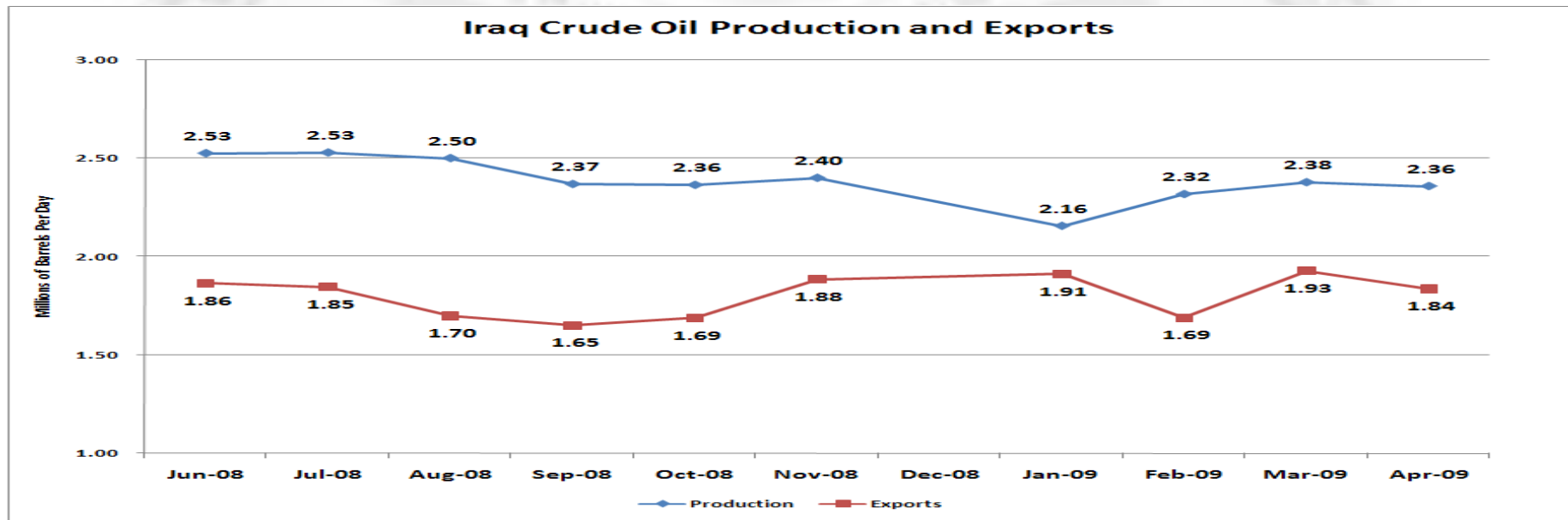
Price averages in world markets closed with the following prices:

Basrah Light at \$50.54/barrel

Dated Brent at \$51.97/barrel

WTI Cushing at \$49.80/barrel

Oman/Dubai at \$52.07/barrel



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$8.81 Billion



ECONOMIC – Oil

Delays in sending final model contracts may further slow the first bid round, although companies continue to seek opportunities in Iraq's oil sector

Final Model Contracts Reported to be Delayed:

- A source close to the Iraqi Ministry of Oil said April 21 that the ministry has delayed sending final model contracts for the six oil and two gas fields put up for tender in Iraq's first bid round and contracts may be delayed until the end of April. According to the source, final contracts were supposed to be sent to international oil companies between April 15 and 17 but were not sent because officials from the Petroleum Contracts and Licensing Directorate delayed a meeting with the consulting firm Gaffney, Cline & Associates Ltd. PCLD officials met with the consulting firm in Istanbul April 18, but the meeting was originally scheduled to take place in the beginning of April.



ECONOMIC – Oil

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Companies Asked to Resubmit Bids for Nasiriyah Field:

- The Government of Iraq has asked the three companies it invited to bid on developing the Nasiriyah field to resubmit bids for the field. "Eni, Repsol and Nippon Oil have recently submitted their technical offers to the Oil Ministry. After studying these offers, we had some remarks and we asked them to review their offers and submit new ones," Minister of Oil Husayn al-Shahristani told Reuters. Shahristani expected the companies to resubmit new bids within a matter of days.

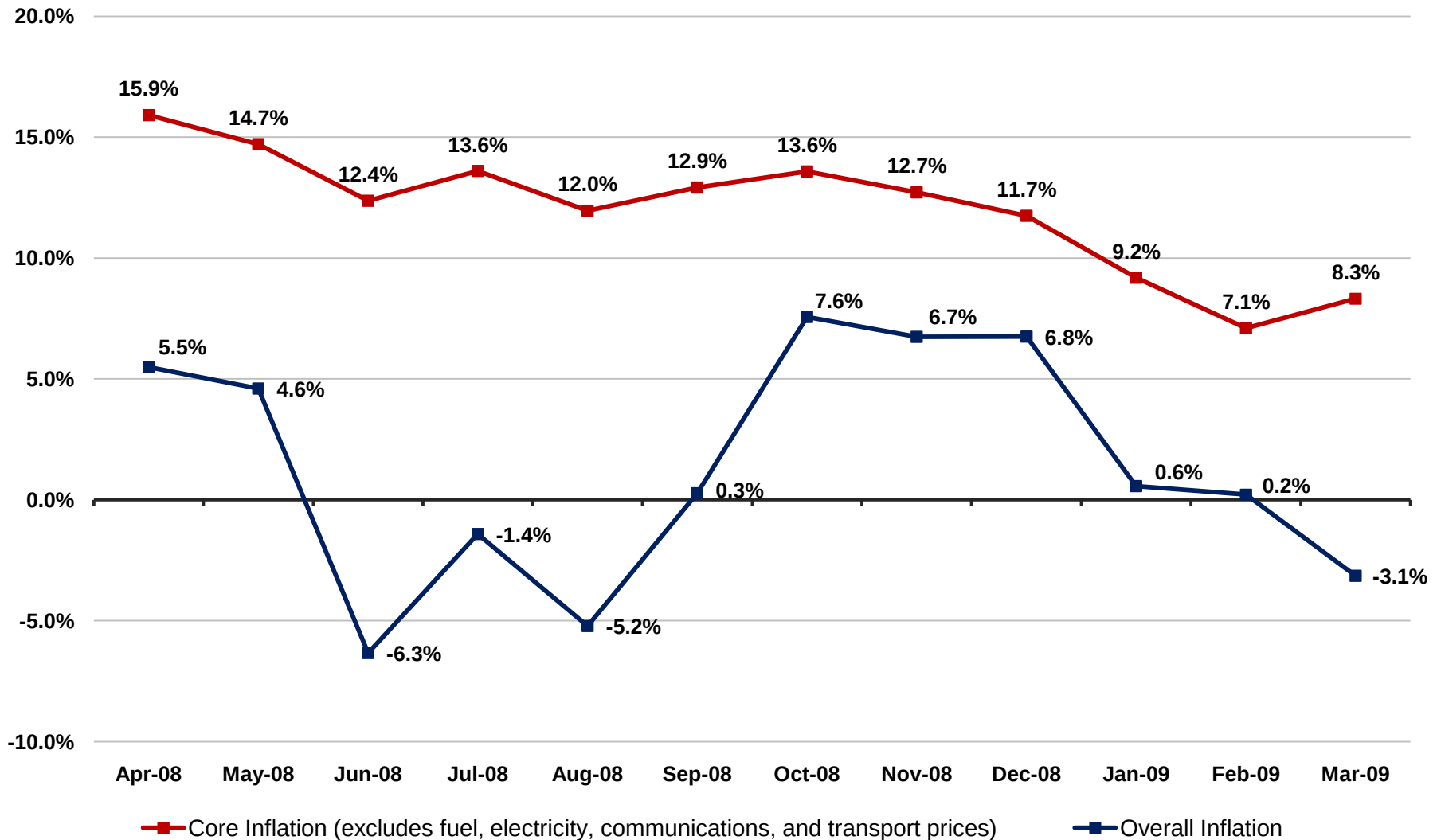
Halliburton in Talks about Possible Opportunities in Iraq:

- Halliburton's chief executive David Lesar said April 20 that Halliburton is in talks with international oil companies and local companies about possible business opportunities in Iraq. Halliburton does not currently have operations in Iraq, but was in Iraq from 2003-2007 under contracts with the U.S. Army Corps of Engineers through its subsidiary Kellogg, Brown & Root. Lesar said the company would like to enter into traditional "service" arrangements with international oil companies. Lesar also said Halliburton is in talks with Iraqi companies for integrated project management of oil and gas operation and other "turn-key" projects.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation





ECONOMIC – Fiscal and Monetary Affairs

Lower-than-expected oil revenues are leading the Government of Iraq to reevaluate foreign and private investment policies

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$50.05	\$50.74	\$48.74	\$66.08
Yield	12.47%	12.77%	13.28%	9.95%

Minister of Finance Discusses Budget Deficit, IMF Loans, and Iraqi Stimulus Measures:

- Minister of Finance Bayan Jabr said Iraq's budget deficit could rise if oil exports stay at their current levels, which are lower than targeted by the 2009 budget. As a result, the government may be forced to pursue alternative revenue streams, possibly including levying new taxes and import duties to raise revenues. "If we fail to boost oil exports in the coming months we will face a crisis and then no doubt we will have to resort to other measures to maximize revenues, whether widening the taxation base or customs or tariffs on imports," Jabr said. Jabr said in oil exports in the first quarter of 2009 averaged 1.8 billion barrels per day (bpd), 200,000 bpd less than the target export level set in the 2009 budget. The Government of Iraq is also considering another agreement with the International Monetary Fund by which they would undertake economic reforms in exchange for financial assistance. (Continued Next Page)



ECONOMIC – Fiscal and Monetary Affairs

Lower-than-expected oil revenues are leading the Government of Iraq to reevaluate foreign and private investment policies

Minister of Finance Discusses Budget Deficit, (Continued):

- Jabr added that at a cabinet meeting April 14, senior government officials discussed ways to boost domestic investment through a wide-ranging stimulus package that eliminates red tape and provides new incentives for local and foreign investors. According to the minister, the cabinet also approved lifting restrictions on land ownership. "These stimulus measures will dramatically improve the investment climate and attract more foreign investors and help ease the impact of the drop in oil prices on our economy," Jabr said.

Islamic Banks Consider Iraqi Market:

- The Boston Consulting Group said April 16 that Islamic Banks in the Gulf and Asia are starting to position themselves to enter the Islamic banking market in Iraq once the security situation there improves. Boston Consulting Group Partner and Managing Director Knut Storholm said sovereign risk, rather than regulation, was the main impediment to banks' entrance into Iraq. Mohammed Badi, a principal at the consulting group, speculated that Islamic banks from the Gulf would be the first to enter into Iraq with wholesale products related to trade financing, with retail products coming later.



ECONOMIC – Private Sector

Iraq moves toward further economic integration and increased foreign investment with the launch of electronic trading and a visit by the World Bank's investment guarantee agency

Delegation from the World Bank's Investment Guarantee Agency Visits Iraq:

- A delegation from the World Bank's private sector guarantee agency, the Multilateral Investment Guarantee Agency (MIGA), visited Iraq, a sign to the Government of Iraq that there is interest from international firms looking to invest in the country. According to James Bond, MIGA's chief operating officer, there has been a real interest in Iraq and MIGA is in talks with several companies although investor enthusiasm has been tempered by concerns about the security of investments. "The business climate is not yet there," Bond said. "The two big things we have to wait and see is the reduction in U.S. troop numbers and the outcome of elections." Bond said that while the initial cost of investing in Iraq could be high, returns on investments could occur as quickly as within 18 months. "All of MIGA's instruments would be very applicable here in the Iraqi context and we would price it appropriately." Bond also said.



ECONOMIC – Private Sector

Iraq moves toward further economic integration and increased foreign investment with the launch of electronic trading and a visit by the World Bank's investment guarantee agency

Iraq Stock Exchange Opens Electronic Trading:

- The Iraq Stock Exchange (ISX) launched electronic trading April 19, switching from its previous system of writing on large erasable boards in the hopes that the faster method of trading will draw foreign investment into Iraq's economy. "This is an important step to opening ourselves up to foreign investment," said Taha Ahmed Abdul Salam, chief executive of the exchange. "We are starting to create the transparency and systems that will make Iraq attractive to investors outside of Iraq." In the first day of trading, three banks and two hotels in Baghdad had their shares bought and sold on the electronic system. The 86 other companies listed on the ISX will gradually switch over to electronic trading by the end of the year. In 2008, the ISX traded \$270 million.

ECONOMIC – Public Services



Iraq's transportation sector takes another step forward with an agreement to renovate Iraq's railway carriages

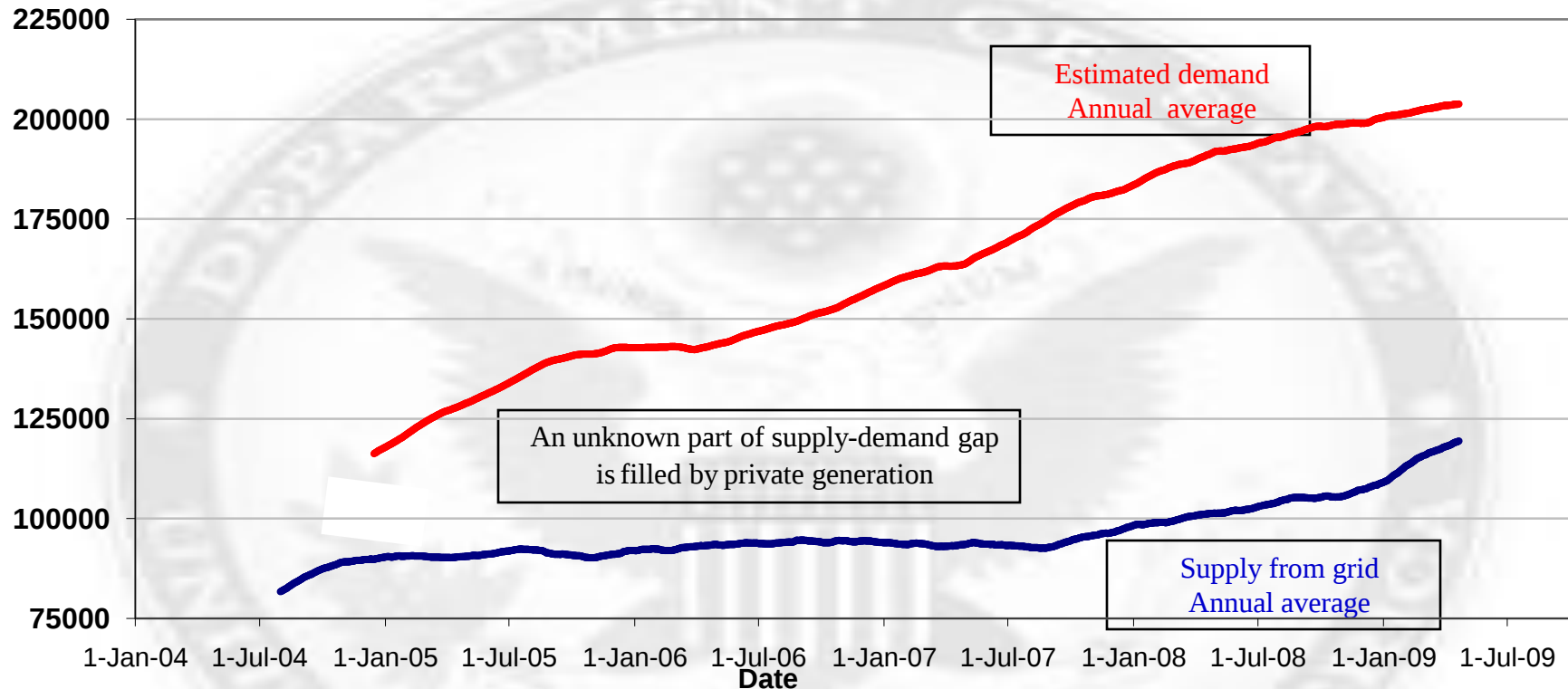
Ministry of Transport Signs Agreement with Australia's NK Trucks:

- The Iraqi Ministry of Transport signed a memorandum of understanding with the Australian group NK Trucks to renovate Iraq's railway rolling stock. NK trucks will repair Iraq's broken or faulty railway carriages; work is scheduled to begin in May and will be supervised by the Iraqi Republic Railway Company.

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- Daily electricity supply from the grid for April 15-21 was 20% above the year-earlier period and met 70% of estimated demand compared with 60% for the year-earlier period.
- Since November 2008 year-on-year increases in supply have consistently exceeded increases in estimated demand. As a result, the gap between estimated demand and power from the grid is at its lowest point since March 2006.

Beyond Baghdad



Iraqi reporters attend investigative journalism workshop

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Basrah

A tourist compound will be built in Basrah on the coast of the Shatt al-Arab waterway. The project is expected to be complete within five years. The compound is being funded by an Iraqi company with support from a Kuwaiti partner and other international firms.

Babil

Reporters working in Babil province recently attended a PRT hosted three day conference on investigative journalism. Topics discussed included investigative techniques, ethics, potential dangers associated with investigative journalism, and the role of investigative journalism in a democracy. The workshop was run by Pulitzer Prize winning journalist Jerry Kammer, who also addressed issues including interviewing techniques and cultivating sources.

Kirkuk

The Kirkuk Rule of Law Team attended the Erbil Rule of Law conference that launched the Erbil Rule of Law 10 Year Plan. The Plan was formulated during committee meetings over the last year and Kirkuk is looking to use it as a template for their 10 Year Plan. The Plan is divided into five sections that address such issues as law school reform, judicial reform, the provincial Iraqi Police force, governmental relations with rule of law, and Iraqi justice. The 10 Year Plan is located at www.kurdistan-rol-10yearplan.org.

DIPLOMATIC – Political Engagement



U.S. Ambassador to Iraq Confirmed by Senate; Iraq strengthens ties with Syria

Next U.S. Ambassador to Iraq Confirmed:

- The Senate voted April 21 to confirm the nomination of Assistant Secretary Christopher Hill as the next Ambassador to Iraq.

Syrian PM Visits Iraq:

- Syrian Prime Minister Naji al-Otari visited Iraq April 21 for bilateral talks with GOI officials. According to Iraqi Foreign Minister Hoshyar Zebari discussions focused on the Government of Iraq's request for the Syrian government to crack down on exiled former Iraqi army commanders plotting against the GOI. They will also concentrate on Syrian-Iraqi cooperation on reopening an oil pipeline.

DIPLOMATIC – Economic Engagement



GOI seeks to facilitate foreign investment

London to Host Iraq Investment Summit:

- GOI officials announced that Iraq's National Investment Commission will host an international conference in London on April 30 to promote foreign investment. The two-day meeting, called Invest Iraq, London 2009 was created with the support of the UK Department for International Development. Iraqi Prime Minister Nuri al-Maliki, Oil Minister Husayn al-Shahristani, and Finance Minister Bayan Jabr are expected to present various investment projects to upgrade Iraq's infrastructure and oil sector. The conference will provide information about the sectors for direct foreign investment and one-to-one discussions with Iraqi stakeholders to discuss investment opportunities. More than a hundred leading international companies are expected to attend the conference.



SECURITY – Situation Update

Multiple high-profile attacks challenge progress throughout the country

Suicide Attack Strikes PRT in Diyala:

- A suicide bomber wearing an Iraqi Security Force uniform struck a State Department PRT delegation and their military escort while en route to a meeting with local officials in Baqubah, Diyala province April 20. Two locally employed contractors working with the PRT were killed, and two other employees, an American PRT employee and a UK National Bilingual Bicultural Adviser, were injured along with several members of the military escort. The two injured State Department employees were medically evacuated to a U.S. military hospital.

Suicide Attack in Anbar Wounds 36:

- A suicide attack at an Iraqi military base April 16 in the town of Habbiniyah in Anbar province, wounded 36 Iraqi Security Force personnel – and contrary to multiple media reports – killed only the suicide attacker. The attack follows the April 15 car bombing in Kirkuk, which killed 11 police, and the April 11 suicide bombing at an Iraqi Army post in Iskandariya, which targeted Sons of Iraq members who were collecting their paychecks. Despite the recent high-profile attacks, overall attack levels are still near historic lows.



SECURITY – Security Transition

SOI payment on track, and new ISF facilities open across the country

GOI on Track to Pay all 91,000 SOI by May:

- After assuming responsibility for all Sons of Iraq (SOI) members in early April, the Government of Iraq (GOI) is on schedule to pay all SOI salaries in May. The GOI is also working to pay back-wages to SOI members in four provinces whose salaries were delayed due to administrative issues. GOI and Coalition authorities are now shifting attention to transitioning the SOI into permanent employment in either the ISF or public and private sector jobs. To facilitate this, the [GOI] Council of Ministers recently issued a resolution directing placement of SOI into ministry jobs and the Iraqi Security Forces (ISF). Major General John Johnson, deputy commanding general for operations, Multi-National Corps – Iraq, said “this is an important signal of significant movement in the months to come.”

Iraqi Air Force Opens New Compound in Basrah:

- Staff General Anwer Hamd Ameen, Commander of the Iraqi Air Force, said during a April 14 visit to the Air Force’s new compound in Basrah that the building helps “to build the Iraqi Air Force’s capacity not only in Basrah province, but in the whole country.” The U.S. Army Corps of Engineers’ (USACE) Gulf Region Division (GRD) oversaw the \$1.9 million project. The new facility will house over 450 Air Force personnel.



SECURITY – Security Transition

SOI payment on track, and new ISF facilities open across the country

ILOC Set to Advance ISF Logistical Capabilities:

- Iraq's Minister of Defense along with Multi-National Security Transition Command-Iraq (MNSTC-I) officials held a ribbon cutting ceremony April 15 to commemorate the opening of the facility which will house the Iraqi Logistics Operation Command (ILOC). The ILOC facility will provide the Iraqi military with a new level of sophistication in planning and monitoring logistical support functions of the Iraqi Security Forces (ISF). The ILOC is over 500 square meters in size and includes the latest computer technology with multiple individual users connecting to an adjoining data center. While touring the new facility, the Iraqi Minister of Defense said, "This is the first time we have brought together the resources necessary for logistics. In my opinion, this is the most important center for the Ministry of Defense."

New Iraqi Army Facility Taking Shape in Amarah:

- Construction on the Iraqi Army's new al-Maymona Location Command in southeast Iraq is on schedule for completion by September, according to the U.S. Army Corps of Engineers (USACE). The \$35.9 million project, overseen by USACE's Gulf Region Division (GRD), will provide a base for 1,000 Iraqi soldiers. The completed compound, located south of Maysan's provincial capital, Amarah, includes dozens of structures that will provide life support and operational support for the command's operations.



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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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